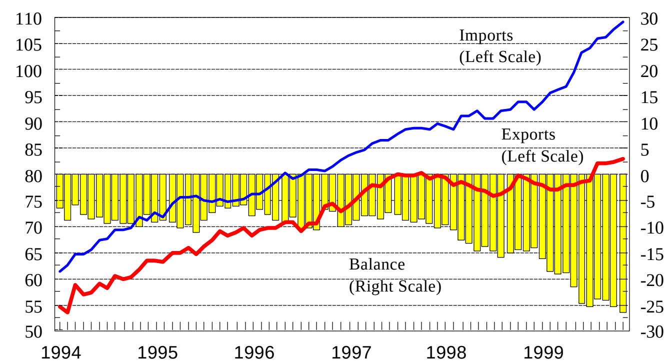
U.S. TRADE IN PERSPECTIVE
U.S. Department of Commerce, International Trade Administration, Trade Development January 2000

November's Exports, Imports and Trade Deficit Set Records

Recent Developments: *U.S. goods and services exports rose $0.6 billion to $82.9 billion, and imports rose $1.5 billion to $109.4 billion in November. The November trade deficit widened to $26.5 billion, $0.9 billion higher than the revised data for October.*

1999 Trends: Through November, exports were up 2.2 percent, while imports were up 11.3 percent, from a year earlier. Year to date, the deficit was $266.8 billion (annual rate), compared with the 1998 deficit of $164.3 billion.

U.S. INTERNATIONAL TRADE



--U.S. exports set a record in November--with increased sales in capital goods, consumer goods, and industrial supplies. Imports were also a record-- with new records in capital goods and consumer goods.

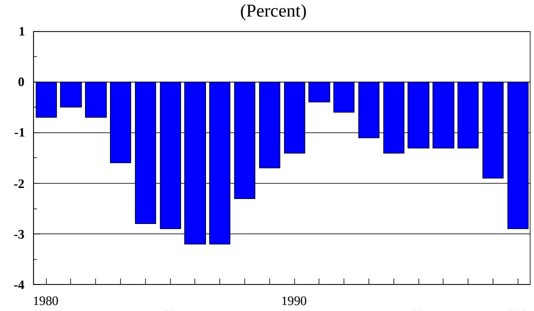
–Imports from Canada, Western Europe and the Newly Industrialized Countries were records.

--The November trade deficit with Germany ($3.0 billion) was a record.

--The price of crude petroleum was $20.90 per barrel, the highest since $21.86 in January 1997.

GOODS AND SERVICES TRADE DEFICIT AS A SHARE OF GDP

(Percent)



--For the first eleven months of 1999, the U.S. trade deficit as a share of gross domestic product (GDP) was 2.9 percent, still below the record of 3.2 percent in 1987.

Prepared by M. Faizul Islam, Office of Trade and Economic Analysis, 202-482-2056

U.S. Merchandise Trade with the World

Japan, China, Canada, Germany and Mexico are the countries with whom the U.S. has the largest trade deficits. These countries together have accounted for two-thirds of the U.S. merchandise trade deficit (annual rate) thus far in 1999. The largest increase in the U.S. trade deficit in 1999 occurred with Canada ($15.3 billion) and the second largest increase was with China ($11.0 billion).

Country	Exports ($ bill); % change		Imports ($bill); % change		Deficit($ bill)
Japan	52.3;	down 1.6	119.3;	up 7.1	73.0
China	12.0;	down 6.4	75.1;	up 14.1	68.8
Canada	152.3;	up 5.8	181.2;	up 14.1	31.5
Germany	24.4;	up 0.8	50.0;	up 11.3	27.9
Mexico	78.3;	up 8.3	100.2;	up 15.4	24.0

Note: The percent changes are year to date from the same period in 1998 and the deficit figures are at annual rates.

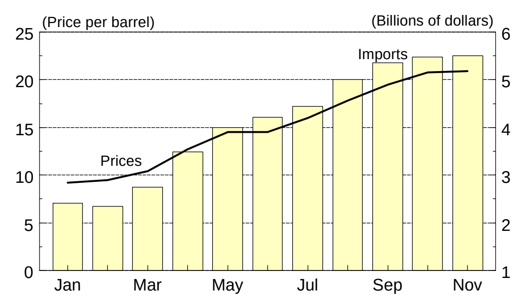
The U.S. trade deficit with the Western Hemisphere was $58.0 billion (annual rate) thus far in 1999, three times the level in the same period last year. The U.S. trade deficit widened by two-thirds with the European Union, and by one-fifth with Asia where the deficit is by far the largest.

U.S. International Trade by Sector

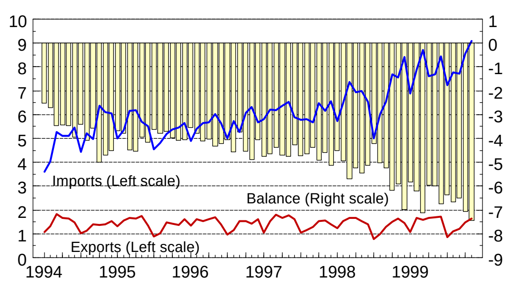
In November 1999, the U.S. merchandise trade deficit rose due to a surge of imports of crude oil, motor vehicles and consumer goods. The surplus in capital goods has continued to erode.

After bottoming in January 1999, the price of crude oil more than doubled - from $9.19 per barrel to $20.90 per barrel in November 1999. As a consequence, oil imports rose from $2.4 billion in January to $5.5 billion in November.

Crude Oil Imports: 1999 Prices and Values



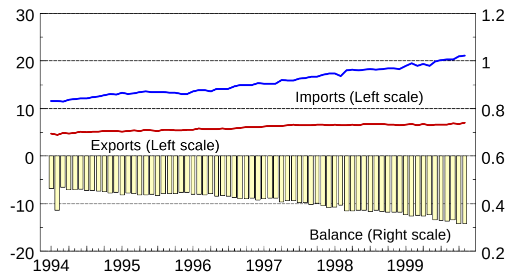
Motor Cars
(Billions of dollars)



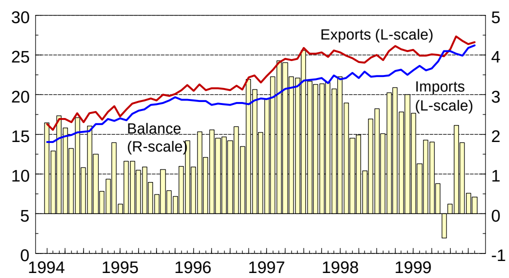
Through November, about 60 percent of the rise in the trade deficit with both Canada and Japan, and nearly 70 percent of the rise with Mexico, has reflected a worsening balance in motor vehicles. Exports of motor cars were up 3.0 percent from a year ago, while imports were up 20.3 percent. The trade deficit was $78.4 billion (annual rate), compared with $62.8 billion a year ago.

Exports of consumer goods show little growth, while imports rise rapidly. Year-to-date, exports were up 1.1 percent from a year ago, while imports were up 10.2 percent. Trade was in deficit $15.8 billion (annual rate) thus far in 1999, compared with $13.7 billion a year ago.

Consumer Goods
(Billions of dollars)



Capital Goods
(Billions of dollars)



The strong surplus in capital goods has eroded considerably since 1996-97. In the first eleven months of 1999, exports of capital goods were up 3.3 percent from a year ago, while imports were up 9.4 percent. Trade was in surplus $14.0 billion (annual rate) thus far in 1999 compared with $29.6 billion a year ago.

Determinants of International Trade and Foreign Economic Conditions

The **U.S. economy** grew 5.8 percent (annual rate) in the fourth quarter of 1999. Productivity growth has been well above trend; unemployment and inflation remain low; and the stock market has been higher. These strong fundamentals have helped to boost real income. Higher purchasing power, coupled with a strong dollar and slow economic growth around the world, has led to a deterioration in the U.S. trade deficit. So long as world growth remains weak and the dollar high, the United Stated will contine to struggle in international trade.

Economic growth in **Japan** is expected to be below 1 percent for the fiscal year ending in March 2000. Because much of that growth was contingent upon public spending, the government plans to spend an additional $67 billion to stimulate the economy-its ninth stimulus package in the last decade. The yen has appreciated 37 percent against the U.S. dollar since its trough in mid-1998.

China's economy grew 7 percent in 1999. The currency has remained stable, but China's trade surplus with the world is declining, as imports are growing faster than exports. The Chinese domestic economy is ridden with excessive capacity and surplus labor.

The **Canadian** economy grew at a 4 percent rate in the fourth quarter of 1999, reflecting higher commodity prices, consumer spending, and exports to the United States. A still weak Canadian dollar, will continue to boost Canadian exports to the U.S.

The **German** economy rose only 1.3 percent in 1999. The German mark (and the Euro) has weakened further against the U.S. dollar, making U.S. exports more expensive. Interest rates have fallen from their peak in 1996. Germany appears to be relying on a cheap currency to boost economic growth and lower unemployment.